

SENATE BILL REPORT

SHB 1995

As Reported By Senate Committee On:
Health & Long-Term Care, March 31, 1995
Ways & Means, April 3, 1995

Title: An act relating to provision of a tax exemption and offset for premiums and prepayments for policies under the health insurance coverage access act.

Brief Description: Providing an exemption and an offset for insurance premium and prepayment obligations for the high risk pool.

Sponsors: House Committee on Health Care (originally sponsored by Representatives Mielke, Morris and Dyer).

Brief History:

Committee Activity: Health & Long-Term Care: 3/28/95, 3/31/95 [DPA, DNPA].
Ways & Means: 4/3/95 [DPA (HEA)]

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended.

Signed by Senators Quigley, Chair; Wojahn, Vice Chair; Deccio, Franklin, Winsley and Wood.

Minority Report: Do not pass as amended.

Signed by Senator Fairley.

Staff: Don Sloma (786-7319)

Background: The High Risk Health Insurance Pool was created in 1987 to assist persons unable to purchase insurance coverage because of serious illness. The act placed limitations upon premium charges. Any excess in cost beyond premiums collected is assessed against health carriers. Such assessments were tax deductions from the premium tax for disabilities insurers. Health maintenance organizations (HMO's) and health care service contractors do not get a deduction because they do not pay a premium tax, but do pay a minimal B&O tax.

The Washington Health Services Act imposed a 2 percent premium tax on HMO's and contractors beginning July 1, 1995, and terminated B&O tax on January 1, 1996. The High Risk Pool tax deduction statute was not modified to reflect this change. Thus, under current law, HMO's and contractors could not receive the appropriate tax deduction.

Regarding a separate issue, although the HMO/contractor premium tax begins July 1, 1995, under present law it is deposited in the general fund until March 31, 1996, when deposits are transferred to the Health Services Account.

Further, a related tax exemption for Medicare services is scheduled to expire July 1, 1997.

Summary of Amended Bill: The statute is modified to permit HMO's and contractors to receive the High Risk Pool tax deductions.

Amended Bill Compared to Substitute Bill: The transfer of HMO/contractor premium tax revenue collected until March 1996 from the general fund to the health services account is deleted. The Medicare tax exemption extension is deleted.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The bill is needed to correct an inequity in credit for high risk pool contributions which now exist between insurers, HMOs and Health Care Service Contractors.

Testimony Against: None.

Testified: Ken Bertrand, Group Health Cooperative; Rick Wickman, Blue Cross; Mel Sorensen, WA Physician Services; Kristen Harte, Qual Med WA.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Health & Long-Term Care.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, McDonald, Pelz, Roach, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Steve Lerch (786-7474)

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The bill is needed to correct an inequity concerning deductibility of high risk pool assessments which now exists between indemnity insurers, health maintenance organizations and health care service contractors.

Testimony Against: None.

Testified: Mel Sorensen, WA Physician Services; Rick Wickman, Blue Cross.